

PUBLIC DISCLOSURE

MAY 4, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE VILLAGE BANK

CERT #26336

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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **The Village Bank (“Village Bank” or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **May 4, 2015**. The agencies evaluate performance in the assessment area as defined by the institution, rather than individual branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC’s Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank’s performance under each test is summarized below:

Lending Test

The institution is rated “**Satisfactory**” under the Lending Test. This rating is supported by the following summary of results.

Loan-to-Deposit Ratio

The loan-to-deposit (“LTD”) ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs.

Assessment Area Concentration

A majority of the Bank’s home mortgage and sampled commercial loans were originated in the assessment area.

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Borrower Characteristics

The Bank exhibited reasonable penetration of loans among individuals of different income levels (including low- and moderate-income) and to businesses of different sizes.

Response to Complaints

Village Bank did not receive any CRA-related complaints during the period reviewed.

Community Development Test

The institution is rated “**Satisfactory**” under the Community Development Test. The institution demonstrated adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution’s capacity and the need and availability of such opportunities throughout the institution’s assessment area. The rating is supported by the following factors:

SCOPE OF EXAMINATION

This evaluation assesses Village Bank's CRA performance utilizing the Interagency Intermediate Small Bank ("ISB") Examination Procedures, as established by the Federal Financial Institutions Examination Council (FFIEC). These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution's home mortgage, small business, small farm and consumer loans, as applicable, for specific years as noted. The Community Development Test is an analysis of community development activities since the previous evaluation.

The Lending Test considered the Bank's home mortgage loans and a sample of commercial loans. The Bank is primarily a residential lender. The Bank's most recent Report of Condition and Income ("Call Report"), dated March 31, 2015, indicated that residential lending represented 78.7 percent and commercial lending represented 21.0 percent of the loan portfolio. Residential lending also represented the majority of loan volume during the review period. Based on this information, the Bank's performance of home mortgage lending carried more weight in arriving at overall conclusions. The Bank does not make small farm loans and has only a nominal level of consumer lending activity; thus, these product lines are not included in the evaluation.

Data reviewed includes originated home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") Loan Application Registers ("LARs") for 2013 and 2014. The LARs contain data about home purchase and home improvement loans, including refinancings, of one-to-four family and multifamily (five or more units) properties. The institution reported 253 loans totaling \$163 million in 2013 and 228 loans totaling \$150 million in 2014. The Bank's 2013 home mortgage lending performance was compared against 2013 aggregate lending data. Aggregate data for 2013 includes all financial institutions subject to HMDA that originated at least one home mortgage loan in the Bank's assessment area. The aggregate data for 2014 was not yet available.

A review of internal Bank records indicated the Bank originated 121 commercial loans totaling \$41.8 million during 2014. A sample of 54 small business loans totaling \$17.7 million during 2014 was analyzed. As the Bank is not required to report small business loan data, small business aggregate data was not used to formulate comparisons. Instead, business demographics of the assessment area were used for comparison purposes.

Although the total dollar amounts of loans are discussed under the Lending Test, the evaluation is primarily based on the Bank's lending performance by the number of loans originated or purchased during the review period. Demographic information referenced in this evaluation was obtained from the 2010 United States ("US") Census unless otherwise noted. Financial data about the Bank was obtained from the March 31, 2015 Call Report.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services, as applicable, between January 17, 2012 and May 4, 2015.

PERFORMANCE CONTEXT

Description of Institution

The Village Bank is a Massachusetts state-chartered, mutual co-operative bank headquartered in the Auburndale section of Newton, Massachusetts. In addition to its Main Office located at 307 Auburn Street in Newton, Massachusetts, the Bank operates six other full-service branches in Massachusetts. The Bank's Main Office is located in an upper-income census tract. Five branches are located throughout different villages of Newton, while one is located in the Town of Wayland, Massachusetts. All branches are equipped with Automated Teller Machines ("ATMs"). Of the additional six locations, four are located in upper-income census tracts and one each in a middle-income census tract and a moderate-income census tract. The Bank also operates a loan center located at 319 Auburn Street in Newton, contiguous to its Main Office located in an upper-income census tract.

The Bank is a full-service financial institution that offers retail customers deposit products such as checking, savings, and retirement accounts, as well as home financing programs that include fixed and adjustable rate mortgage programs for the purchase, refinance, improvement, and construction of residential property. Additionally, the Bank offers consumer credit products including home equity lines of credit, home improvement loans, automobile loans, personal loans, and overdraft lines of credit.

The Village Bank offers commercial customers savings and checking accounts, investment account services, and financing options including commercial real estate loans; speculative construction loans; construction to permanent loans; overdraft lines of credit; working capital lines of credit; equipment loans; and letters of credit.

The Bank had total assets of \$846.8 million as of March 31, 2015. Assets increased approximately 20 percent since the prior evaluation. As of March 31, 2015, total loans stood at \$669.1 million, and represented 79.0 percent of total assets. Total loans increased 35.4 percent since the previous examination. Table 1 illustrates the distribution of the Bank's loan portfolio as of March 31, 2015.

Table 1 – Loan Portfolio Distribution as of March 31, 2015		
Loan Type	Dollar Amount (000s)	Percent of Total Loans
Construction and Land Development	93,681	14.0
Revolving Open-end 1-4 Family Residential	52,094	7.8
Closed-end 1-4 Family Residential First Lien including Junior Lien	359,466	53.7
Multi-Family (5 or more) Residential	21,535	3.2
Commercial Real Estate	115,666	17.3
Commercial and Industrial	24,608	3.7
Consumer Loans	2,052	0.3
Total Loans	669,102	100.0
<i>Source: March 31, 2015 Call Report</i>		

As depicted in Table 1, the Bank's loans are primarily concentrated in residential real estate, followed by commercial real estate. No financial or legal impediments exist that would limit or impede the Bank's ability to meet the credit needs of the delineated assessment area.

The previous CRA evaluation by the Division and the FDIC was conducted as of January 17, 2012, using ISB Examination Procedures. The evaluation resulted in an overall "Satisfactory" CRA rating.

Description of Assessment Area

The CRA requires that a financial institution define an assessment area, or areas within which it will concentrate its lending efforts, and within which its record of helping to meet the needs of its community will be evaluated. The assessment area, as currently defined, meets the technical requirements of the CRA.

The Bank's assessment area consists of four cities and towns located in Middlesex County, including Newton, Waltham, Wayland, and Weston. To assess the Bank's lending performance for this evaluation, consideration is given to demographic data of the assessment area. Refer to Table 2 for pertinent demographic information about the assessment area.

Table 2 – Assessment Area Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	36	-	13.9	30.6	55.5
Population by Geography	170,033	-	11.6	32.5	55.9
Owner-Occupied Housing by Geography	38,696	-	6.2	29.9	63.9
Distribution of Families by Income Level	38,524	15.3	13.4	16.6	54.7
Businesses by Geography (2014)	18,588	-	9.4	27.8	62.8
Median Family Income (MFI)		\$101,000	Median Housing Value		\$606,451
2014 FFIEC-Updated MFI		\$90,625			
Households Below Poverty Level		7.8%			
Source: 2010 U.S. Census Data; 2014 D&B Data, 2013 & 2014 FFIEC-Updated MFI					

Demographic Data

In 2013, the Bank's assessment area consisted of 36 census tracts, of which there were no low-income census tracts, 7 moderate-income census tracts, 12 middle-income census tracts, and 17 upper-income census tracts. Of the seven moderate-income census tracts, six were located in Waltham and one in Newton. The Office of Management and Budget revised delineations of MSAs in 2013, which went into effect in 2014. Due to these revised delineations, the Bank's assessment area now includes five moderate-income census tracts. Of these five census tracts, four are located in Waltham and one in Newton.

The assessment area has a total population of 170,033 residing in 38,524 family households. Of all family households in the area, 15.3 percent are low-income, 13.4 percent are moderate-income, 16.6 percent are middle-income, and 54.7 percent are upper-income. Of the 60,129 households, 7,948 or 13.2 percent are located in moderate-income census tracts, 20,329 or 33.8

percent are located in middle-income census tracts, and 31,852 or 53.0 percent are located in upper-income census tracts.

The assessment area consists of 63,853 total housing units, of which 60.6 percent is owner-occupied, 33.6 percent is rental, and 5.8 percent is vacant. According to the 2010 US Census Data, the median housing value for the assessment area was \$606,451.

Economic Data

Business demographic data for 2014 indicates that there are 18,588 businesses in the assessment area, of which 70.0 percent have gross annual revenues (GARs) of \$1 million or less, 7.0 percent have GARs greater than \$1 million, and the remaining 23.0 percent have unknown revenues. Of total businesses in the assessment area, 9.4 percent are in moderate-, 27.8 percent are in middle-, and 62.8 percent are in upper-income census tracts. The highest proportion (51.9 percent) of these business establishments are engaged in the services industry. Approximately 63.1 percent of the area's businesses employ four or fewer people.

Competition

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are Leader Bank, Middlesex Savings Bank, Wellesley Bank, Needham Bank, and Watertown Savings Bank. Aggregate lending data shows that in 2013, 322 lenders originated 9,873 home mortgage loans in the Bank's assessment area. JP Morgan Chase Bank ranked 1st with 890 loans and a 9.0 percent market share, followed by Wells Fargo Bank who ranked 2nd with 595 loans and a 6.0 percent market share. The Village Bank ranked 13th with 159 originations capturing 1.6 percent of the market share. Furthermore, the Bank ranked ahead of many of its competitors including Middlesex Savings Bank, Needham Bank and Watertown Savings Bank.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

For purposes of this evaluation, a community contact was conducted with a local non-profit social services center dedicated to ending homelessness that specifically serves the Waltham area, but also includes many municipalities in the Metro West area of Massachusetts. The organization provides a multitude of services including a day shelter program, case management services, counseling services, medical coordination, domestic violence prevention programs, job readiness programs, and a micro loan program. The contact indicated that there is opportunity for institutions to provide job readiness and financial literacy training to the homeless or near homeless population in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test considers the Bank's performance pursuant to the following criteria: LTD ratio; assessment area concentration; geographic distribution of loans; lending to borrowers of different incomes and businesses of different sizes; and the Bank's record of taking action in response to CRA complaints. Overall, the Bank's performance under the Lending Test is "Satisfactory."

Loan-to-Deposit Ratio (LTD)

This performance criterion evaluates the proportion of the Bank's deposit base reinvested in the form of loans. The analysis utilized quarterly Call Report data for the period ending December 31, 2011 through March 31, 2015.

The Bank's average net LTD ratio over the prior 10 quarters ending March 31, 2015 was 82.5 percent. The Bank's net LTD ratio as of March 31, 2015 was 91.6 percent. Given the Bank's size, financial condition, and the assessment area credit needs, the Bank's LTD ratio is reasonable. Over the past 10 quarters, the LTD reached a low of 75.8 percent at December 31, 2012, and a high of 91.6 percent at March 31, 2015.

The Bank's net LTD ratio was compared to the LTD ratios of five other locally based, similarly situated depository institutions as of March 31, 2015. The institutions selected are headquartered in Middlesex County. The Village Bank's average quarterly net LTD ratio was fourth highest among the six institutions. Table 3 presents this comparison.

Table 3 – Net Loan-To-Deposit Comparison		
Institution	Asset Size of as of March 31, 2015	Net LTD Ratio 3/31/2015
Needham Bank	\$1,730,097	116.3%
Leader Bank	\$906,931	104.9%
Wellesley Bank	\$542,242	103.4%
The Village Bank	\$846,819	91.6%
Middlesex Savings Bank	\$4,166,504	71.5%
Watertown Savings Bank	\$1,100,000	53.7%
<i>Source: March 31, 2015</i>		

Assessment Area Concentration

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes a review of residential loans from 2013 and 2014, and a sample of small business loans made in 2014. The Bank made a majority of its loans inside the assessment area. Table 4 summarizes the Bank's lending activity inside and outside the assessment area by number and dollar amount.

Table 4 - Distribution of Loans Inside and Outside of the Assessment Area

Loan Category or Type	Number of Loans				Total	Dollars in Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2013	160	63.2	93	36.8	253	101,196	62.1	61,721	37.9	162,917
2014	137	60.1	91	39.9	228	94,136	62.6	56,202	37.4	150,338
Subtotal	297	61.8	184	38.2	481	195,332	62.4	117,923	37.6	313,255
Sample Commercial Loans										
2014	29	54.7	24	45.3	53	7,900	44.6	9,812	55.4	17,712
Total	326	61.0	208	39.0	534	203,232	61.4	127,735	38.6	330,967
Source: 2013 & 2014 HMDA Reportable Loans and Sample of All Commercial Loan for 2014										

Source: 2013 & 2014 HMDA Reportable Loans and Sample of All Commercial Loan for 2014

Geographic Distribution

The Bank's record of lending demonstrated reasonable dispersion of loans throughout the assessment area, particularly in moderate-income tracts. As previously noted, the assessment area does not include any low-income tracts. The following sections discuss the Bank's performance under this criterion with regard to each product line.

Home Mortgage Loans

The distribution of the Bank's home mortgage lending reflects reasonable dispersion throughout the assessment area. Table 5 presents the Bank's home mortgage lending performance by number of loans in 2013 and 2014, as well as the 2013 aggregate market data. Table 5 also includes the percentage of owner-occupied housing units for each census tract income level for comparison purposes.

Table 5 – Geographic Distribution of Home Mortgage Loans by Census Tract

Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%
Moderate				
2013	8.6	10.8	20	12.5
2014	6.2	-	18	13.1
Middle				
2013	35.7	34.2	46	28.8
2014	29.9	-	32	23.4
Upper				
2013	55.7	55.0	94	58.7
2014	63.9	-	87	63.5
Total				
2013	100.0	100.0	160	100.0
2014	100.0	-	137	100.0

Source: 2010 U.S. Census; 2013 and 2014 HMDA Reported Data; 2013 HMDA Aggregate Data, NA is aggregate information which was not available as of the evaluation date

In 2013, the Bank's lending in moderate-income tracts slightly exceeded aggregate performance. The Bank's performance increased by percentage in 2014, as 13.1 percent of loans were originated within the moderate-income census tracts. The Bank's performance within moderate-income geographies in 2013 and 2014 were also more than the percentage of total owner-occupied housing units (8.6 percent and 6.2 percent, respectively).

Market data for 2013 indicates that the Bank captured 1.9 percent of the market share for all home mortgage loans reported in the assessment area's moderate-income tracts. The Bank ranked 12th out of 143 total lenders that made at least a single home mortgage in moderate-income census tracts of the assessment area. Based on this information, the Bank's performance is reasonable.

Small Business Loans

The geographic distribution of sampled small business loans reflects reasonable dispersion throughout the assessment area.

Table 6 shows the Bank's percentage of sampled small business loans within the assessment area by census tract income level and compares the percentages to the distribution of businesses in each tract income level.

Table 6 - Distribution of Sampled Small Business Loans			
Tract Income Level	% of Businesses	#	%
Moderate			
2014	9.4	5	17.3
Middle			
2014	27.8	9	31.0
Upper			
2014	62.8	15	51.7
Total			
2014	100.0	29	100.0
<i>Source: 2014 D&B Data; 2014 Small Business Loan Sample</i>			

In 2014, the Bank's percentage of small business loans in moderate-income tracts exceeded the percentage of businesses in these tracts. The majority of the sampled small business loans originated were made in upper-income-census tracts, which is commensurate with the percentage of businesses in these tracts. Considering the competitive lending environment in which the Bank operates, the Bank's performance under this criterion is reasonable.

Borrower Characteristics

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The following sections discuss the Bank's performance under this criterion by loan type.

Home Mortgage Loans

The Bank's performance of home mortgage lending by borrower income level is reasonable. Borrower incomes for loans reported in 2013 and 2014 were compared to MFIs for the Cambridge-Newton-Framingham, MA MD.

Table 7 shows the Bank's loans by borrower income level in 2013 and 2014, noting the percentage of families by income level using 2010 U.S. Census data and aggregate data for 2013 for comparison purposes.

Table 7 – Distribution of Home Mortgage Loans by Income Category of the Borrower				
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%
Low				
2013	16.9	3.2	8	5.0
2014	15.3	N/A	5	3.7
Moderate				
2013	14.4	10.2	21	13.1
2014	13.4	N/A	8	5.8
Middle				
2013	17.5	18.9	15	9.4
2014	16.6	N/A	13	9.5
Upper				
2013	51.2	56.4	75	46.9
2014	54.7	N/A	63	46.0
Income NR				
2013	-	11.3	41	25.6
2014	-	N/A	48	35.0
Total				
2013	100.0	100.0	160	100.0
2014	100.0	N/A	137	100.0
<i>Source: 2010 U.S. Census; 2013 and 2014 HMDA Reported Data; 2013 HMDA Aggregate Data, NA is aggregate information which was not available as of the evaluation date, NR is income not reported</i>				

The Bank originated 5.0 percent and 3.7 percent of home mortgages to low-income borrowers in 2013 and 2014, respectively. The Bank's performance in 2013 exceeded aggregate data of 3.2 percent. Although the Bank's percentage of loans to low-income borrowers was less than the percentage of low-income families at 16.9 percent for 2013, and 15.3 percent for 2014, a significant portion of these families would likely not qualify for a home mortgage loan. As mentioned previously, high home prices within the assessment area limits opportunities for lending to low-income individuals.

The Bank originated 13.1 and 5.8 percent of its loans to moderate-income borrowers in 2013 and 2014, respectively. The Bank's percentage in 2013 was slightly above the aggregate performance of 10.3 percent. The Bank's lending to moderate-income borrowers in 2013 and 2014 was less than the percentage of moderate-income families (14.4 percent and 13.4 percent) in the assessment area.

Market share reports for 2013 indicate that the Bank ranked 9th out of 66 lenders that made at least one home mortgage to a low-income borrower in the assessment area, with a market share of 2.5 percent. Additionally, the Bank ranked 10th out of 166 institutions in lending to moderate-income borrowers, with a market share of 2.07 percent. Market share data further supports the Bank's reasonable performance under this criterion.

Small Business Loans

Table 8 depicts the sampled small business loans by GAR level, which is compared to the distribution of businesses by GAR level as well.

Table 8 – Distribution of Commercial Loans by Gross Annual Revenue			
Business Revenue Level	% of Businesses	#	%
≤\$1,000,000			
2014	70.0	25	86.2
>1,000,000 or NR			
2014	30.0	4	13.8
Total			
2014	100.0	29	100.0
<i>Source: D&B 2014 Business Data; 2014 Small Business Loan Sample. NR = Not Reported</i>			

The Bank originated 86.2 percent of the sampled small business loans to businesses with GARs of \$1 million or less, which exceeded the percentage of businesses in the assessment area with GARs in this category. This record reflects reasonable performance.

Response to CRA Complaints

The Bank did not receive any CRA-related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Village Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities in the institution's assessment area.

Community Development Loans

The Bank originated nine community development loans totaling approximately \$2.1 million since the January 17, 2012 CRA evaluation. This is an increase by number from the previous evaluation period, during which the Bank originated two community development loans totaling \$2.2 million. The following table illustrates the Bank's community development loans by year and by purpose.

Table 9 – Community Development Loans												
Activity Year	Qualifying Category										Total	
	Affordable Housing		Community Services*		Economic Development		Revitalization/ Stabilization**		Neighborhood Stabilization			
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
1/18/12- 12/31/12	3	939	1	280	1	291	0	0	0	0	5	1,510
2013	1	125	0	0	0	0	0	0	0	0	1	125
2014	1	20	0	0	0	0	0	0	0	0	1	20
1/1/15-5/4/15	0	0	2	450	0	0	0	0	0	0	2	450
Total	5	1,084	3	730	1	291	0	0	0	0	9	2,105
Source: Bank Records												
* Targeted to low- or moderate-income individual												
** Of low- or moderate-income, disaster, distressed or underserved geographies												

The following loans represent a sample of the Bank's community development loans:

- In 2012, the Bank originated a loan for \$280,000 to an organization that provides shelter, food assistance, healthcare, and job training services to the local homeless population. The proceeds from the loan were used to purchase a building in a moderate-income tract to house the various services provided by the organization.
- In 2012, the Bank originated a loan for \$660,000 to an organization that develops and manages affordable housing units in the City of Newton. The proceeds from the loan were used to purchase an apartment building that was converted to affordable housing.
- In 2015, the Bank originated two working capital lines of credit for \$250,000 and \$200,000 to an organization that provides affordable housing to elders.

Community Development Investments

Total qualified investments and donations for this evaluation period totaled approximately \$11.0 million dollars. The following sections discuss the Bank's community development investment activity during the evaluation period by type of investment.

Equity Investments

Equity investments totaled \$10.8 million, including two new investments totaling \$7.5 million and two investments made prior to the current evaluation period, which have a current book value of \$3.3 million. The following list illustrates the Bank's qualified equity investments.

Community Capital Management CRA Qualified Investment Fund

In 2015, the Bank invested \$750,000 in the CRA Qualified Investment Fund. The investment was earmarked for the purchase of mortgage-backed securities collateralized by loans to moderate-income borrowers in the Town of Wayland and City of Newton. The Bank has invested into the fund on an ongoing basis since 2004.

Barry L. Price Rehabilitation Center

This organization provides employment services, residential living, and habilitation services to individuals with mental and physical disabilities. A majority of clients are low- or moderate-income. In 2014, the Bank provided financing to this organization through a tax-exempt bond of \$6.7 million. The funds from the bond were used to purchase a building that would be used as the organization's rehabilitation center.

John M. Barry Boys and Girls Club

This organization provides children and young adults a safe place to learn and grow, life enhancing programs, character development experiences, and other opportunities. A majority of the individuals served are low- and moderate-income. In 2007, the Bank provided financing to this organization through a tax-exempt bond of \$1.2 million. The current book value of this investment is approximately \$1.0 million.

Scandinavian Charitable Society of Greater Boston Inc.

This non-profit organization provides affordable housing and assistance to elders. In 2009, the Bank refinanced an existing loan with a tax-exempt bond through MassDevelopment. The current book value of this investment is approximately \$2.3 million.

Qualified Donations

From January 18, 2012, through May 4, 2015, the Bank made \$244,330 in qualified donations. The organizations to which the Bank made donations provide a variety of services to low- and moderate-income individuals and families. Table 10 details the Bank's community development donations by purpose and year.

Table 10 – Community Development Donations					
Category	2012	2013	2014	YTD 2015	Total
	\$	\$	\$	\$	\$
Affordable Housing	6,200	24,700	13,150	20,000	64,050
Community Services*	57,160	68,750	44,870	9,500	180,280
Total	63,360	93,450	58,020	29,500	244,330
<i>Source: Internal Bank Records.</i>					
<i>* Targeted to Low- or Moderate-Income Individuals</i>					

As indicated in Table 10, donations were targeted toward organizations that provide services to low- and moderate-income individuals and families (73.8 percent) and affordable housing (26.2 percent). During the evaluation period, the Bank made approximately 60 donations to 20 different organizations. The following section provides a sample of the organizations to which the Bank made qualified donations during the evaluation period.

Newton Community Development Foundation (NCDF)

NCDF is a private, non-profit, developer and manager of affordable housing units located in Newton.

Citizens for Affordable Housing in Newton Development Organization, Inc. (CAN-DO)

Since 1994, CAN-DO has developed a number of affordable housing units serving low- and moderate-income families in Newton. CAN-DO is committed to educating the community about the housing opportunities in the area, including the need for affordable housing units. The organization also partners with social services organizations and assists individuals with child care options, job training, and parenting skills training.

Habitat for Humanity MetroWest

This organization is dedicated to eliminating substandard housing by constructing, rehabilitating, and preserving homes. Habitat provides families earning between 25-60 percent of the area median income with durable, decent, safe, and dignified shelter and living experiences.

Family Promise for MetroWest

Family Promise for MetroWest is a community response to family homelessness. Host congregations and volunteers furnish safe, temporary shelter and meals while professional staff assists families in reaching goals that end the cycle of homelessness.

Community Day Center (CDC) of Waltham

CDC Waltham serves homeless or near homeless, and unemployed individuals in the Waltham area. This organization fights to end homelessness, joblessness and destructive coping dependencies such as alcoholism and drug addiction.

Community Development Services

The Bank responded to several of the area's community development needs through providing qualified services. The Bank is currently involved in local services and non-profit entities that have a community development purpose, lending their financial and technical expertise to these organizations.

Bank Employee and Director Involvement

During the evaluation period, officers and employees of the Bank were involved in organizations in various capacities that represented a community development purpose. Bank personnel and Directors provided these organizations with financial expertise in a variety of roles. The following descriptions represent all of the Bank's community development services provided during the evaluation period.

CAN-DO

A financial advisor serves as a Board member of this organization. A Senior Vice President provides technical assistance on grant writing and reporting for this organization. CAN-DO is dedicated to promoting and developing affordable housing opportunities in the Newton area.

The Second Step

A Senior Vice President provides support with finances and financial literacy training at this organization. The Second Step is a domestic violence relief organization that serves its clients with a variety of social services including affordable housing solutions and financial literacy courses.

John M. Barry Boys and Girls Club

The Compliance Officer serves as a Board member of this organization. This organization provides services and programs to low- and moderate-income youth.

New England Fraud Investigator Alliance

A Vice President serves as a Board member of this organization. This organization provides fraud awareness and money management services to elderly individuals, a majority of whom are low- or moderate-income.

Springwell

A Vice President is an Advisory Member of this organization. Springwell is an organization located in Waltham that provides a multitude of services to its elderly population. The Bank employee focuses on providing Money Management seminars to Springwell clients in need.

Newton Fair Housing Committee

A Vice President serves as a Board member of this fair housing and advocacy organization. The Newton Fair Housing Committee works to promote a welcoming and fair housing environment in the Newton area.

Newton Housing Partnership

The Newton Housing Partnership's mission is to foster a housing climate in the Newton area that is accessible to all ranges of incomes. This organization serves as an advisory council to the

Mayor and other local elected officials. A Senior Vice President serves as a Board member of this organization.

Wayland Business Association

This organization is an advocacy and financial education association in Wayland. A Branch Manager serves in an advisory role for small business development in Wayland.

Other Services

The Bank also provided the following services that have community development purposes.

Massachusetts Community Banking Council's (MCBC) Basic Banking Program

The Village Bank voluntarily participates in the MCBC Banking program. In order to qualify, the Bank provides low-cost checking and savings accounts that particularly benefits low- and moderate-income individuals.

Springwell

The Bank provides financial recordkeeping, budget balancing, and other educational services for low-income seniors who are clients of Springwell. These services and classes were offered to Springwell clients throughout the evaluation period.

APPENDIX A
DIVISION OF BANKS
Fair Lending Policies and Practices

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. The Bank's loan policy prohibits discrimination in accordance with the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). Also included in the Bank's loan policy are procedures for the second review process of denied loan applications.

Minority Application Flow

The Bank's residential lending was compared with the 2013 aggregate's lending performance to assist in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 11 for information on the Bank's minority application flow as well as a comparison to aggregate data in the assessment area.

Table 11 – Minority Application Flow					
RACE	Bank 2013		2013 Aggregate Data	Bank 2014	
	#	%	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.1	0	0.0
<i>Asian</i>	6	3.1	10.1	6	3.8
<i>Black/ African American</i>	3	1.5	0.8	0	0.0
<i>Hawaiian/Pac Isl.</i>	0	0.0	0.1	0	0.0
<i>2 or more Minority</i>	0	0.0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	2	1.0	2.0	2	1.3
Total Minority	11	5.6	13.1	8	5.1
<i>White</i>	143	72.6	62.5	104	65.3
<i>Race Not Available</i>	43	21.8	24.4	47	29.6
Total	197	100.0	100.0	159	100.0
ETHNICITY					
<i>Hispanic or Latino</i>	1	0.5	1.6	1	0.6
<i>Not Hispanic or Latino</i>	153	77.7	73.1	110	69.2
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	0	0.0	1.0	1	0.6
<i>Ethnicity Not Available</i>	43	21.8	24.3	47	29.6
Total	197	100.0	100.0	159	100.0

Source: HMDA 2013 Aggregate, Bank's HMDA 2013 and 2014 HMDA Reports

The Bank's assessment area has a population of 170,033, of which 23.6 percent are minorities. The assessment area's minority and ethnic population consists of 3.4 percent Black/African-American, 10.6 percent Asian/Pacific Islander, 0.1 percent American Indian, 7.3 percent Hispanic or Latino and 2.2 percent other race.

In total for 2013 and 2014, the Bank received 356 HMDA reportable loan applications within its assessment area. Of these applications 19, or 5.3 percent, were received from minority applicants. The Bank also received 3 applications, or 0.8 percent, from applicants of Hispanic origin.

In 2013, the Bank received 11 applications, or 5.6 percent, from minorities, which is below the aggregate of 13.1 percent. All 11 of these applications resulted in originations, which exceeds the aggregate origination rate of 77.1 percent. The Bank received one application, or 0.5 percent, from Hispanic or Latino applicants compared to 2.6 percent for the aggregate. This application resulted in an origination, which exceeded the 68.2 percent origination rate for the aggregate.

In 2014, the Bank received 8 applications, or 5.1 percent, from minorities. The Bank received two applications, or 1.2 percent, from Hispanic or Latino applicants for that year. The Bank originated 6 of the 8 eight applications received from minorities.

Considering aggregate and demographic comparisons, the Bank's minority application flow is adequate.

APPENDIX B

Glossary

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks,

community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,
- (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with

a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Non-metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural

classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and non-metropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income nonmetropolitan geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 307 Auburn Street, Auburndale, MA 02466"

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.